

## 1998 SMALL BUSINESS PROFILE

### SMALL BUSINESS: HEART OF THE MINNESOTA ECONOMY

The importance of small business to the state of Minnesota is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

**Number of Businesses** - In 1997, Minnesota had 121,688 businesses with employees; 97.9 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 265,000 self-employed persons in 1997.

**Small Business Income** - The income of sole proprietors and partners rose 5.6 percent to \$7.7 billion in 1997, while wage-and-salary income rose 6.2 percent. The state also exported \$13.8 billion of goods in 1997. (In 1992, 81.3 percent of the exporters in the state were small businesses.)

**Women-Owned Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 166,400 women-owned businesses in Minnesota, including part-time firms, employing 349,800 people and generating \$42.3 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 73.5 percent.

**Minority Businesses** - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 92.3 percent from 1987 to 1992, totaling 2,785 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 110.8 percent during the same time period with 1,583 firms in 1992. There has also been an increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 2,024 in 1987, to 3,168 in 1992, representing a 56.5 percent increase.

**Business Turnover** - Between 1996 and 1997, the number of new firms decreased 0.6 percent, while new business incorporations increased 0.1 percent. Financial difficulties leading to business bankruptcies increased by 10.1 percent and business failures increased by 98.5 percent.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Minnesota decreased from 566 in 1994 to 519 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
FIRST CMNTY BK	Freeborn
GRAND MARAIS ST BK	Grand Marais
FIRST INTEGRITY BK	Staples
PIONEER NB OF DULUTH	Duluth
SECURITY ST BK OF HIBBING	Hibbing
FIRST NB IN CANNON FALLS	Cannon Falls
FARMERS ST BK OF NEW LONDON	New London
MINNWEST BK MONTEVIDEO	Montevideo
MINNWEST BK ORTONVILLE	Ortonville
CITIZENS ST BK OF ST JAMES	Saint James
BANK OF ZUMBROTA	Zumbrota
FIRST NB OF WALKER	Walker
PEOPLES NB OF MORA	Mora
COMMUNITY FIRST NB	Fergus Falls
NORWEST BK MN SOUTH NA	Rochester
FIRST BK NA	Minneapolis
NORWEST BK MN NA	Minneapolis

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

**Job Growth** - From 1992 to 1996, small businesses (fewer than 500 employees) created all of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	92,423	41,431	30,444	56,011	(40,999)	179,309
Manufacturing	4,420	8,801	10,394	15,808	(20,214)	19,208
Retail Trade	14,923	4,517	3,394	12,391	(3,427)	31,798
Services	51,014	17,844	14,545	19,820	(16,640)	86,581
Other	22,065	10,269	2,111	7,991	(717)	41,721

**Industries** - Small firms in the state are represented in many industries. The Eating & Drinking Places industry is the largest small business employer in Minnesota, followed by Health Services. The fastest growing industry for small business is Furniture & Fixtures (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	2,072,081	100.0	54.2
Health Services	8000	235,801	11.4	41.7
Eating & Drinking Places	5800	142,601	6.9	70.0
Business Services	7300	135,556	6.5	51.2
Wholesale Trade - Durable Goods	5000	90,455	4.4	70.6
Miscellaneous Retail	5900	73,729	3.6	55.1

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	1,123,220	100.0	54.2
Eating & Drinking Places	5800	99,772	6.9	70.0
Health Services	8000	98,382	11.4	41.7
Business Services	7300	69,407	6.5	51.2
Wholesale Trade - Durable Goods	5000	63,820	4.4	70.6
Membership Organizations	8600	53,756	2.8	93.9

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	1,123,220	32,472	2.9
Furniture & Fixtures	2500	5,824	1,005	17.3
Sec. & Comm. Brokers, Deal., Exch., & Serv.	6200	3,343	423	12.7
Holding & Other Investment Offices	6700	1,984	224	11.3
Transportation Services	4700	5,531	605	10.9
Elec. Equip. & Components Except Compt.	3600	13,414	1,440	10.7

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.